

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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SEP 27 1995

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of)
)
Amendment of the Commission's)
Rules and Policies to Increase)
Subscribership and Usage of the)
Public Switched Network)

CC Docket No. 95-115

To: The Commission

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COMMENTS OF PUERTO RICO TELEPHONE COMPANY

Puerto Rico Telephone Company ("PRTC"), by its attorneys and pursuant to Section 1.415 of the Commission's Rules, hereby comments on the Commission's Notice of Proposed Rulemaking¹ ("NPRM") in the above-captioned proceeding.

In the NPRM, the Commission seeks comment on low rates of local telephone service subscribership (or "penetration rates") in certain geographic areas in the United States and among certain demographic groups. The Commission is interested both in the possible reasons for these low rates and also in possible solutions to the problem.

The Commission's NPRM in this proceeding focuses on several possible reasons for low penetration rates: disconnection of local service for failure to pay interstate long-distance charges, high installation costs, and inability to subscribe to local service because of lack of a permanent residence. While

¹ FCC 95-281, released July 20, 1995.

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these factors may be important in determining telephone penetration in some areas, in Puerto Rico, which has the lowest penetration rate in the United States, the most important determinant appears to be the relationship between per capita income and the cost of telephone service.

I. THE COMMISSION MUST ADDRESS THE LOW PENETRATION PROBLEM IN PUERTO RICO

In considering the problem of low penetration rates generally, PRTC is concerned that the Commission failed to mention Puerto Rico in its discussion of low penetration rates in the NPRM. For example, the Commission notes in the NPRM (at ¶ 1) that "[t]hree states have less than 90 percent subscribership." The accompanying footnote lists these three states: "Mississippi (88.6 percent), New Mexico (88.3 percent) and South Carolina (89.4 percent). See Monitoring Report, Table 1.2 at 27." NPRM at 2 n.3. The Commission does not note, however, that Puerto Rico's penetration rate is also lower than 90%. In fact, overall penetration in Puerto Rico at the end of 1994 was 71% and was as low as 48.2% in the Comerio municipio.²

Later in the NPRM, the Commission discusses participation in the Link-Up America program. It states "Link Up is available in all but two states (California and Delaware) and in the District of Columbia. Roughly 840,000 households received \$18.5 million in Link Up assistance in 1994." NPRM at ¶ 23. The Commission

² Puerto Rico is divided into 78 municipios. A municipio is roughly equivalent to a county.

cites Table 2.2 at pages 57 and 58 of the 1995 Monitoring Report, but it does not mention that Puerto Rico is included in that table and is shown to be offering Link Up as well. The omission is apparently unintended since the number of households receiving assistance and the total amount of assistance include the numbers from Puerto Rico.

The omission of Puerto Rico from the NPRM is significant because the subject of the NPRM is low penetration rates and, as demonstrated above, Puerto Rico has the lowest penetration rate in the United States. U.S. telephone penetration now exceeds 93%,³ while Puerto Rico's is 71%. By contrast, U.S. telephone penetration passed the 70% mark nearly 40 years ago in 1955 and the 75% mark in 1957.⁴ Thus, any consideration of low penetration rates in the United States must include Puerto Rico.

II. LOW PENETRATION RATES IN PUERTO RICO ARE LIKELY A PRODUCT OF THE RELATIONSHIP BETWEEN LOW PER CAPITA INCOME LEVEL AND THE COST OF SERVICE

The Commission seeks comment on the possible reasons for low penetration rates in certain geographic areas and among certain demographic groups. NPRM at ¶ 1. PRTC believes that in Puerto Rico the low level of per capita income is a significant cause of low penetration. Per capita income in Puerto Rico (in 1989

³ Federal-State Joint Board Staff, Monitoring Report, CC Docket No. 87-339, May, 1995, at 13 ("1995 Monitoring Report").

⁴ Department of Commerce, Bureau of the Census, Historical Statistics for the United States from Colonial Times to 1970, Vol. 2 (1975) at 783.

dollars) was \$4,177, while per capita income on the mainland ranged from \$9,648 in Mississippi to \$20,189 in Connecticut.⁵ While PRTC does offer Link Up and absorbs \$0.60 of the monthly subscriber line charge for each customer, subscribership remains substantially below US norms. Therefore, it is important that rates for local service in Puerto Rico remain low.

PRTC has made a significant effort to expand service in Puerto Rico while keeping rates for local service down. The Commonwealth of Puerto Rico acquired PRTC in 1974 in order to improve the then-unacceptable level of telephone development on the island. At that time, overall telephone service penetration in Puerto Rico was only 25.2%. Telephone service penetration in the United States at that time was approximately 90%.

PRTC has increased the number of lines in service dramatically. Since 1984, overall telephone service penetration in Puerto Rico has increased 50.7% (from 47.1% in 1984 to 71% in 1994). Last year alone, penetration increased by 4.2 percentage points (from 66.8% in 1993 to 71% in 1994). This dramatic increase in market penetration has been effected without an increase in local rates. Indeed, had local rates risen as the network was extended, the combined effects of rising rates and Puerto Rico's low per capita income would surely have driven subscribers off the network.

⁵ 1990 Census of Population and Housing, Summary Social, Economic, and Housing Characteristics, UNITED STATES, 1990 CPH-5-1 (1992) at 228-29; 1990 Census of Population and Housing, Summary Social, Economic, and Housing Characteristics, PUERTO RICO, 1990 CPH-5-53 (1993) at 191.

Thus, in Puerto Rico, the most important factor in increasing telephone subscribership appears to be keeping rates for local service at the same level or even reducing them while funding the network expansion needed to serve new customers.

III. IF THE COMMISSION DECIDES TO PROHIBIT DISCONNECTION OF LOCAL SERVICE FOR NONPAYMENT OF LONG-DISTANCE CHARGES, IT SHOULD EXAMINE THE IMPOSITION OF CREDIT LIMITS AND LONG-DISTANCE BLOCKING SERVICES TO ADDRESS THE PROBLEM OF UNPAID LONG DISTANCE BILLS

The Commission suggests that many people who do not have local telephone service have lost it because of their inability to pay long-distance charges. NPRM at ¶ 10. While it is unlikely that this is a significant factor in the low subscribership level in Puerto Rico, PRTC is concerned about the Commission's proposal to deal with this problem. The Commission proposes prohibiting common carriers from interrupting or disconnecting a telephone subscriber's local exchange service for failure to pay interstate long-distance charges. NPRM at ¶ 31. Disconnection of local service for failure to pay interstate long-distance charges is one of the most important tools local exchange carriers have to ensure that customers pay their long-distance bills.

If the Commission decides to impose this prohibition, it will be imperative that it permit the establishment of what it refers to as "call control services." NPRM at ¶¶ 16-21. One of the call control services suggested by the Commission is a requirement that local exchange carriers provide to subscribers

voluntary long-distance blocking services at a reasonable price. PRTC already offers such a service to its subscribers, charging a \$10.00 non-recurring charge per line and \$2.50 per month per line.

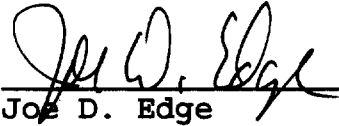
The Commission also proposes that local exchange carriers might restrict a subscriber's long-distance usage based on minutes of use or dollar amount. Id. It is not, however, always practical for local exchange carriers to implement such restrictions; interexchange carriers are currently in the best position to monitor long-distance usage and to control it according to a pre-set limit. Therefore, if the Commission decides to adopt such a requirement, it should rest on interexchange carriers, not local exchange carriers.

IV. CONCLUSION

The Commission should ensure that in considering the problem of low telephone penetration, it takes into account Puerto Rico and addresses the problem there as well. It must recognize that low penetration rates in Puerto Rico are likely attributable to reasons other than those cited by the Commission, such as low per capita income levels, and will not be improved by the remedies discussed in the NPRM. Finally, if the Commission decides to prohibit local exchange carriers from disconnecting local service for nonpayment of long-distance charges, it should encourage, if not require, local exchange carriers to provide long-distance blocking services to telephone subscribers. In addition, if the

Commission decides that credit limits should be imposed on telephone subscribers, such a requirement is most appropriately administered by interexchange carriers rather than local exchange carriers.

Respectfully submitted,



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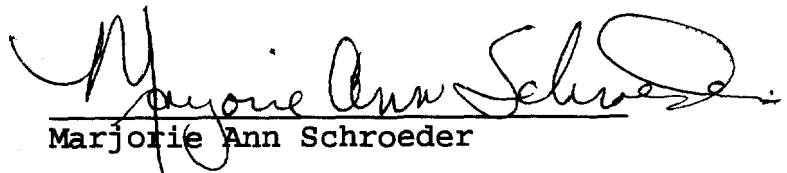
September 27, 1995

CERTIFICATE OF SERVICE

I, Marjorie Ann Schroeder, do hereby certify that on this 27th day of September, 1995, a copy of the foregoing was sent by hand to the parties listed below:

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